



**Northeast
Utilities System**

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February 3, 2009

The Honorable John Fonfara
The Honorable Vickie Nardello
Chairpersons of the Energy and Technology Committee
Members of the Energy & Technology Committee

The Connecticut Light & Power (CL&P) and Yankee Gas Companies are providing you with written comments on Raised Bills Numbers 775, 777, 6302, 6304, 6305 and 6306. To facilitate your review of our comments, I have put testimony on each bill on a separate page.

As you are well aware, electric generation rates in Connecticut have remained high, primarily as a result of higher costs of wholesale energy that we purchase for our customers as required by state law. The current economic crisis has placed a significant burden on our customers and the State's economy, and high energy costs certainly do not help. Short-term natural gas prices, fortunately, have declined sharply, providing relief to our gas customers. This Committee, the legislature, the Governor, the Attorney General, and state agencies are to be commended for seeking to improve this situation. CL&P remains committed to working with all parties to develop solutions for Connecticut's energy problems.

Before commenting on the bills on today's agenda, allow us to tell you about actions that CL&P is taking to help reduce those bills.

► **Congestion Management**

- Congestion occurs when more costly generation runs because of inadequate transmission.
- Through careful risk mitigation strategies, CL&P has managed congestion expense for standard service and last resort service load since 2004, saving our customers \$250 million even before we completed new transmission upgrades.

► **Energy Efficiency Programs**

- Our nationally recognized programs save \$4 for every \$1 spent
- Efficiency measures installed in 2008 alone will provide customers with \$360 million lifetime power supply savings and 1.8 million tons of carbon dioxide, a major greenhouse gas.

- Tens of thousands of customers have participated in our nationally recognized, award-winning programs since 2000.

► **Bilateral Contracts**

- Connecticut needs economic, environmentally friendly suppliers of electricity—it will have a difficult time meeting its emissions goals into the future;
- We are negotiating with Hydro Quebec to get power from northern Canada to provide economic, clean power for Connecticut consumers.
- And, consistent with prior legislative direction, with oversight by the DPUC and Consumer Counsel, we are in the process of seeking supply contracts directly with local generators if those arrangements can benefit consumers.

► **Cost of service peaking generation**

- As you will recall, CL&P was in the forefront of advocating for legislation that would allow cost-based generation to be developed in Connecticut.
- Even though our proposals were not selected in the DPUC's RFP, our legislative advocacy contributed to solutions lowering costs for consumers.

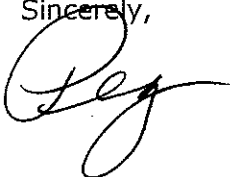
► **Transmission Upgrades**

- We completed several transmission projects in Southwest Connecticut, under budget and ahead of schedule, that will make our electric system more reliable.
- These lines also substantially reduce congestion permanently, thereby saving Connecticut customers millions of dollars. So far in the month of January there has been no congestion in Connecticut.

Due to significant scheduling conflicts, we will not be able to testify in person, but will be pleased to discuss these bills in more detail and we are always available to answer any questions you may have. I can be reached at (860) 665-4822, which is my office; or, on my cell, (860) 685-0846.

I look forward to working with you.

Sincerely,



1. Raised S. B. Bill No. 775 (AAC THE PUBLICATION OF THE CONNECTICUT SITING COUNCIL REPORT OF LOADS AND RESOURCES BIENNIALY)

This bill makes the publication period for the Council's report of loads and resources biennially rather than annually. We support this change, but we suggest two changes. First, we recommend that, in addition to making the report, biennially, the language requiring a hearing on such report be also made biennially. Second, we recommend that the scheduling be synchronized with the Integrated Resource Plan developed by the utilities, reviewed by CEAB and approved by DPUC. We expect that legislation will be proposed to make that process biennial as well, and these two processes should be coordinated.

**2. Raised H. B. Bill No. 777 (AAC MODIFICATIONS TO THE
PURCHASED GAS ADJUSTMENT CLAUSE)**

This bill makes modifications to the rules for hearings related to adjustment clauses. First, it proposes to make hearings no less frequently than annually for purchased gas and energy adjustment clauses. We support this recommendation.

Second, the draft proposes that, the DPUC must hold additional hearings on any adjustment clause any time the Office of Consumer Counsel requests one. The bill does not require the OCC to show that a hearing is warranted, and, thus, it results in an automatic, additional administrative burden to the department and affected companies, whether or not such a hearing is ultimately found to be appropriate. The OCC has the ability to request a hearing any time under current law, and it is up to the DPUC to determine the merits of such request. We do not believe that this part of the draft bill should be approved.

**3. Raised S. B. Bill No. 6302 (AAC REVISIONS TO THE
UTILITY STATUTES)**

This bill revises existing utility laws, including DPUC retention of consultants, making supply procurement cases uncontested cases, public notice of rate applications, definition of electric brokers, and appointments of designees to serve on various regional boards or councils. We have no objection to the concepts provided in the various sections that relate to electric and gas utilities as a general matter, but have a couple of comments on some particular sections of the law.

Section 2 provides that dockets addressing the procurement of resources should be uncontested proceedings. However, there could be a legitimate flaw in the analysis or selection process that could warrant appeal. Therefore, these proceedings should all be contested.

Section 7 revises the notice requirements to our customers in rate proceedings before the DPUC. This modifies the existing law so that notice of the dates, times, and locations of public hearings in rate proceedings must not be sent more than four weeks prior to the start of the public hearing. Since notices cannot be sent less than one week prior, the utilities would essentially have a three week window to mail out this notice. This is not enough time for us to include these notices in our normal billing cycle since our customers are billed monthly on various cycles. Therefore, a three week window will not allow us to get the notice out to all our customers in their regular monthly bills. CL&P proposes that the proposed legislation allow the utilities to send notice of the public hearing not more than six weeks prior to the first public hearing. This will ensure that all customers can be sent a notice with their bill and on their regular billing cycle.

4. Raised H. B. Bill No. 6304 (AAC MUNICIPAL ELECTRIC COSTS)

This bill amends existing retail electricity choice law to allow school districts or municipalities to be provided with standard service, even if they have a maximum demand above 500 kilowatts. We recognize the difficulty that such customers have in balancing their electrical usage and meeting their public responsibilities. We support concepts that will help them do so.

However, because of the way rates are currently designed, there may be some institutions that may be better served under last resort service than standard service. Therefore, we suggest that such facilities be provided with the option of selecting from either supply options.

Lastly, timing on this legislation is key. In early May, the time of the next standard service RFP, questions regarding these proposals will create a great deal of uncertainty concerning the load that will be served. This may have a negative impact on the bids.

**5. Raised H. B. Bill No. 6305 (AAC OVEREARNING SHARING
MECHANISMS FOR PUBLIC SERVICE COMPANIES.)**

This bill proposes to allow the DPUC to approve an over-earnings sharing mechanism for utilities. We support this provision because it can provide an administratively efficient means to address rate issues. In fact, it has been used successfully in the past.

**6. Raised H. B. Bill No. 6306 (AN ACT ESTABLISHING A
CODE OF CONDUCT FOR THE TRANSACTIONS BETWEEN
NATURAL GAS DISTRIBUTION COMPANIES AND THEIR
AFFILIATES)**

This bill requires the DPUC to establish a code of conduct that sets minimum standards for gas company transactions with affiliates.

NU understands the need for codes of conduct between regulated and unregulated affiliates and believes that this legislation should be amended accordingly to apply to those affiliate relationships.

Thank you for the opportunity to present testimony at this hearing.